

PPPs: The Alphabet Soup

Richard Norment
NCPPP Executive Director





What is NCPPP?

- Membership
 - Public and Private
- Partnerships range from:
 - Outsourcing
 - Public-Private Partnerships
 - Privatization
- OUR FOCUS = Public-Private Partnerships
 - “Joint Ventures”
 - “Collaborative Enterprise”
- **NOT “Privatization”**
 - Difference = The level of public control & oversight





NCPPP's OBJECTIVE

To illustrate that Public-Private Partnerships (PPPs) are:


- **Not revolutionary**
 - Used in a number of infrastructure sectors
 - Over 200 years of experience in the US
 - First ones for transportation
 - More widely used in other countries
 - Europe, Asia, Latin America, etc.
- **Doesn't answer all challenges**
- **Does provide a valuable tool**





PPP

Public-Private Partnership



A Public-Private Partnership is a **contractual agreement** between a **public agency** (federal, state or local) and a **private sector entity**. Through this agreement, the **skills and assets** of each sector (public and private) **are shared** in delivering a service or facility for the use of the general public. In addition to the sharing of resources, **each party shares in the risks and rewards** potential in the delivery of the service and/or facility.

source: www.ncpppp.org



PPPs by other names

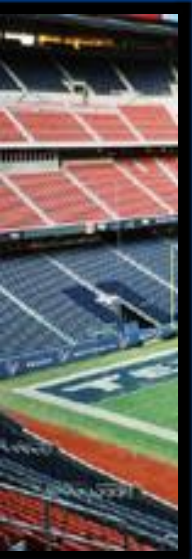
- **CDA** – in Texas, a Cooperative Development Agreement
- **PBI** – in California, Performance Based Infrastructure
- **SAM** – in New York, State Asset Maximization
- **PFI** – common in Europe, Private Finance Initiative (sometimes called “Availability Payments”, and is a long-term public financial commitment to repay capital investment) – a subset of PPPs.



ONE CHALLENGE - THE ALPHABET

What each letter means

- D – Design
- B – Build
- O – Operate or Own (set by context)
- F – Finance
- M – Maintain / Manage
- T – Transfer to public ownership



**Like Lego blocks, put them together to
create a model for a PPP**





O&M

Operations and Maintenance

- The simplest of partnerships
- Public-owned asset is operated and maintained under a contract with the private sector
- Used with a number of transit systems





OMM

Operations, Maintenance & Management


- Goes one step further
- Adds full (or significant portions) management of the transit system
- Public ownership and control fully maintained under the terms of the contract





DB

Design-Build

- A method finding increasing acceptance
 - Public sector issues “performance specifications” (vs. “design specifications”)
 - Private Sector develops the **most cost-effective and innovative solution** for the performance specifications
 - Enables the private sector to accelerate delivery substantially (portions of the process may be done simultaneously)
- 



DBOM

Design-Build-Operate-Maintain

- Combine the O&M with Design-Build in one contract
- Public maintains ownership
- Public sector retains a significant level of oversight of the operations through terms defined in the contract





DBFOM

Design-Build-Finance-Operate-Maintain

- Adds the financial component to the DBOM – often a critical factor in the success of a project
- The Value of Money
 - Life cycle cost savings by executing a project before an escalation in costs (resulting from delay)





DBFOMT

Design-Build-Finance-Operate-Maintain-Transfer

- Not common in the United States NOW
 - Was the case of New York City's transit system
- Privately owned, transferred later to the public sector
- An option for some projects
 - Example: Dulles Greenway



Developer Finance

- Numerous options are available for private sector financing, but all require a return on that investment
- Some of the income stream options
 - Portion or all of the fares
 - Transit Oriented Development (TOD)
 - Long-term maintenance agreements



EUL or Underutilized Asset

- Under terms of the contract, the private partner is permitted to use a portion of a publicly held asset for commercial purposes (retail, office space, mixed use, etc.)
- Can be a feature of Transit Oriented Development projects
- Can be a valuable component in gaining private sector financing for the project that by itself is not a sufficient income generator

TOD & TIF



- **TOD** – Transportation Oriented Development, often through use of an underutilized public asset
- **TIF** – Tax Increment Financing, often tied to a TOD, where the incremental increase in real estate taxes are dedicated to payment of the initial transportation capital investment



Lease/Purchase

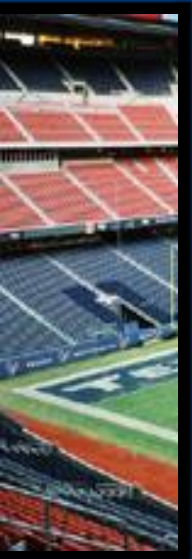
A method that can be used for rolling stock

- Private sector financing purchases the equipment
- Leases it to the public agencies
- Includes a purchase agreement at a defined date, with a portion of the lease going toward that purchase.



The Options are Almost Limitless

- The private sector can be extremely creative
- Make sure you have adequate advice on both the development and financial aspects of your contract
- The need for a “dedicated unit” of knowledgeable professionals within the public sector
 - If not, retain professional consultants and simultaneously build the expertise in your agency



Need Help?

www.ncpppp.org

“How Partnerships Work” & “Types of PPPs”

Also contains

Case Studies, Fundamentals of Partnerships,
Issue Papers, Publications, Resources

2000 14TH Street North

Suite 480

Arlington, VA 22201

703-469-2233

rnorment@ncpppp.org

